



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 4/11/2003

GAIN Report Number: MX3048

Mexico

Dried Fruit

Annual

2003

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Report Highlights:

Raisin production in MY 2003/04 is forecast to increase to 7,820 MT compared to MY 2002/03 levels of 7,140 MT. Raisin production has decreased due to low profit margins and lack of credit availability forcing growers out of raisin production. Domestic demand is primarily filled by lower quality domestic and imported Chilean raisins.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

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SECTION I. SITUATION & OUTLOOK

RAISINS

PRODUCTION

Raisin production for MY 2003/04 (August/July) is forecast at 7,860 MT, a 9.5 percent increase over last year's revised estimate, due to expected better yields. Area planted for 2003/04 is forecast to increase to 3,600 hectares. During 2002 some vineyards were cleared because growers, mainly from the "*ejido*" sector (community land owners), went out of business. However, some private producers, with more production capabilities, will try to increase their planted area slightly. Harvested area is forecast to remain at 3,400 hectares. As in any year, the amount of grapes destined for raisin production is largely dependent on the price relationship between table grapes, wine, juice grapes and raisins. The overall average yield forecast for MY 2003/04 is forecast at 2.3 MT/ha.

According to producers, raisin production has decreased by almost half from MY 2001/02 production levels, due to critical producing conditions. Low prices and lack of available credit has driven some growers out of business. The most vulnerable growers were the "*ejidatarios*" or community land owners. In addition, lower-priced imported raisins from Chile have increased growers' abilities to compete in the domestic market. According to the raisin industry, the Chilean raisins are of very low quality, do not meet phytosanitary standards, and are imported at prices under the cost of production. The industry indicated that they have looked for support from the government to stop this unfair trade, but to no avail. Another critical factor in producing raisins is water availability. The Caborca region, where most of the raisins are produced, has depleted its aquifers more than expected and producers are reprioritizing all crop production in the region according to water availability. The most important crops in the region are table grapes, asparagus, raisins and olives. Some crops will lose more area planted than others depending on yields and crop value, with higher-yielding crops with good profit margins receiving water first. Planted area destined to raisins had already been reduced, due to the above-mentioned problems and now, due to less water availability, raisin planted area acreage is now expected to remain at this reduced level. The industry indicated that the situation is forcing them to look for raisin varieties that offer better yields and quality, thereby giving producer better profits and better overall value for their raisins.

The raisin production estimate for MY 2002/03 was revised downward, due to several producers going out of business. Also, lack of credit prevented some growers from carrying out their normal fertilization and cultivation practices, thus lowering their yields to about 2.1 MT/ha. MY 2002/03 area planted and harvested was revised downward to 3,400 hectares, based on official estimates and the fact that some area planted was cleared. As described above, raisin production was negatively affected by the lack of credit, low prices, low profitability, lack of water, and lower-priced Chilean raisin imports. Production estimates for MY 2001/02 were revised downward based on official estimates and lower yields. Area planted and harvested for MY 2001/02 was revised upward based on official data, as more area was dedicated to raisin production.

The main raisin producing states in Mexico continue to be the northwestern states of Sonora (98%) and, to a lesser extent, Baja California (2%). The main grape varieties used for raisins in Mexico are Thompson, which accounts for about 90 percent of production, and Flame and Superior, which account for the remainder of the production. Newer, efficient irrigation methods designed to alleviate the problem of water scarcity have been installed in the state of Sonora.

According to producer estimates, the cost of production in Sonora for unprocessed raisins for MY 2002/03 ranged from 20,000 pesos/ha, with low maintenance, to 27,000 pesos/ha or more, with good maintenance (US\$1,818 to \$2,454/ha). Production costs depend heavily on growers' cultural practices and costs of imported inputs. Water is a major expense, accounting for approximately 19 % of the total cost. More than 80 percent of labor for the region comes from other parts of Mexico to harvest mainly asparagus, table grapes, and raisins.

Growers recognize the importance of food safety and have embraced the principles of the Hazard Analysis and Critical Control Points (HACCP) procedures. They have made a concerted effort to provide their workers with good sanitary working conditions and to supervise their hygienic practices.

The price of unprocessed raisins for MY 2002/03 was approximately \$3.00 to \$4.00 pesos/Kg (US\$0.27 to US\$0.36 /Kg). Similar prices for MY 2003/04 are expected, due to prevailing low domestic and international prices. The ratio of unprocessed raisins to processed raisins is approximately 5 MT to 1 MT. Processing plants sell raisins directly to the wholesale markets.

CONSUMPTION

Raisin consumption for MY 2003/04 is forecast at 15,320 MT, an increase of 2 percent over the MY 2002/03 revised consumption estimate. Despite this increase, MY 2003/04 consumption is still low compared to MY 2001/02 consumption, due to lower domestic demand. Domestic supplies are expected to be low, due to a weak peso making imports more expensive. Final data, however, will depend on total import volume and the level of international demand. Consumption estimates for MY 2002/03 were revised downward to 15,040 MT, according to industry sources. Consumption estimates for MY 2001/02 remain almost unchanged.

Raisin processors prefer to sell their higher quality product for export, even if the export price is lower than the domestic price, because they receive payment on delivery. After selling the highest quality raisins to the export market, Mexican processors then import U.S. lower quality raisins for the domestic market. However, Chilean low quality imports have been increasing rapidly, competing in the Mexican market at very low prices.

Wholesale prices in Mexico City for the best quality raisins for MY 2002/03 were approximately \$11.00 pesos/kg (US\$1.04/Kg.), while other qualities were about \$8.50 to \$9.00 pesos/Kg (US\$0.80 to \$0.85/Kg) compared to \$9.50 /kg of Chilean raisins.

If large import volumes from Chile continue, prices are expected to be similar for MY 2003/04. By the Christmas season, industry sources expect wholesale prices to increase to between US\$11 and US\$12/10 kg box. Bakeries and food processors are expected to remain the largest consumers of raisins. Christmas and Holy Week are the most important consumption periods for raisins. Usually the Mexican industry holds virtually no stocks because of high storage costs.

TRADE

Mexican raisin exports for MY 2003/04 are forecast to be very similar to those of MY2002/03, due to expectations of continued low prices and lower volumes available for export. The raisin export estimate for MY 2002/03 was revised downward because of lower international demand. Export data for MY 2001/02 was revised downward based on official trade data. Mexican export prices for MY 2002/03 began low at approximately US\$0.38/lb in September 2002 and reached US\$0.44/lb. Export prices for MY 2001/02 ranged from US\$0.45 to

US\$0.47 /lb. In previous years, raisin export prices ranged from US\$0.65 to US\$0.75 /lb. The highest quality production is usually exported, mainly to the United States, and the rest is packaged for domestic consumers or used as food ingredients by the domestic baking and food processing industries.

Raisin imports for MY 2003/04 are forecast to be lower compared to MY 2002/03, due to decreasing demand and expectations that the peso will continue to be weak. The fall of the peso against the dollar is increasing raisin import prices and such a condition could reduce imports. Importers indicate that during January-February 2003, no raisins from Chile were imported due to this condition. Raisin import estimates for MY 2001/02 were revised downward, and MY 2002/03 estimates remained unchanged based on trade data. Traders indicated that lower quality imports generally fill the void left by lower domestic production and raisin exports. Mexican producers maintain that low-quality, low-priced Chilean imports are being dumped on the Mexican market. According to Mexican trade data, imported Chilean raisins have averaged US\$0.41/lb., while U.S. imported raisins averaged US\$0.51/lb. for MY 2002/03. Low Chilean raisin prices have spurred imports of raisins. Wholesalers indicated that Chile is still the main raisin supplier to the Mexican market and that the price of Chilean raisins could be increased to that of domestic raisins, despite their low quality. According to Mexican official data, imports from Chile accounted for approximately 80 percent of total imports in 2002.

Imported raisins, other than from the United States and Chile, have an import tariff of 23 percent. Under the North American Free Trade Agreement (NAFTA), both Mexico and the United States allow raisins to enter duty-free. The classification number is 0806.20.01. Although U.S. raisins compete with Chilean raisins in the Mexican market, importers agree that more Chilean raisins are imported because of their low prices. Chilean raisins also enter duty-free.

MARKETING

With the cutback in production in Sonora, the number of raisin processing plants have declined from nine to five. These processing plants commonly export the highest quality raisins and sell the remaining production to the domestic wholesale market. Raisins are marketed in 10 Kg boxes, but the wholesaler will repackage them in one-half and one kilogram bags according to customer request. There is almost no demand for individual raisin packages in Mexico. Since there are not enough warehouses to store the product throughout the year, the domestic market for raisins is usually saturated right after production time (September through October) and shortages arise later in the marketing year. Mexico usually begins to import Chilean raisins during February. In Mexico, wholesalers distribute most of the raisins to bakeries, food processors, and retail outlets. Imported raisins also come in 10 Kg boxes and are imported by wholesalers. Depending on quality, raisins have a shelf life of approximately six months to a year.

SECTION II. STATISTICAL TABLES

RAISINS

PSD Table						
Country	Mexico					
Commodity	Raisins (HA)(MT)					
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	08/2001		08/2002		08/2003	
Area Planted	5200	5285	5100	3400	0	3600
Area Harvested	5200	5285	5100	3400	0	3400
Beginning Stocks	0	0	0	0	0	0
Production	13500	13106	13200	7140	0	7820
Imports	11200	10486	11400	11400	0	11000
TOTAL SUPPLY	24700	23592	24600	18540	0	18820
Exports	6000	4891	6000	3500	0	3500
Domestic Consumption	18700	18701	18600	15040	0	15320
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	24700	23592	24600	18540	0	18820

TRADE MATRIX

RAISINS H.S. 0806.20		UNITS: METRIC TONS	
EXPORT FOR 2001 TO:		IMPORTS FOR 2001 FROM:	
U.S.	4,245	U.S.	1,572
OTHER		OTHER	
GUATEMALA	377	CHILE	8,493
HONDURAS	106	TURKEY	66
TOTAL OF OTHER	483	TOTAL OF OTHER	8,559
OTHER NOT LISTED	122	OTHER NOT LISTED	3
GRAND TOTAL	4,850	GRAND TOTAL	10,134

RAISINS H.S. 0806.20		UNITS: METRIC TONS	
EXPORT FOR 2002 TO:		IMPORTS FOR 2002 FROM:	
U.S.	3,181	U.S.	2,175
OTHER		OTHER	
GUATEMALA	259	CHILE	9,139
HONDURAS	54	SOUTH AFRICA	2
TOTAL OF OTHER	313	TOTAL OF OTHER	9,141
OTHER NOT LISTED	35	OTHER NOT LISTED	1
GRAND TOTAL	3,529	GRAND TOTAL	11,317

Source: Global Trade Information, World Trade Atlas, Mexico Edition, December 2002.